

Four Key Technology Questions to Ask Your Forensic Accountant

By Rick Westerman

Extensive research by professors at New York University, the Massachusetts Institute of Technology, and Boston University continues to show that information workers, such as forensic accountants, with stronger IT skills are more productive than those without IT skills. By assessing whether your forensic accountant is leveraging technology in the following four areas, you'll be able to identify whether that expert has the tech know-how to improve client satisfaction, lower costs, and increase overall value.

Project Planning

What planning tools does your forensic accountant use?

Technology can play a major role in this initial and critically important litigation support function. By leveraging project planning tools, such as Engagement Manager or Microsoft Project, forensic accountants develop a detailed project with tasks, milestones, deliverables and deadlines. Such a project plan assists in managing expectations, reducing tangents and communicating progress. Project plans do not limit the investigation team's creativity, but rather allow them to focus on accomplishment of specific objectives.

Communication and Administration

Does your expert accountant use document management and collaboration tools to organize and communicate work products?

At the very least, forensic accountants should properly document their work with particular attention on the methodology of doing so. According to International Data Group research, knowledge workers spend 20 percent of their day searching for information documents, yet they were unable to find the item they were looking for about 50 percent of the time. Current technology, such as SharePoint, affords users with an ability to organize, share and search for information. These document repositories are similar to e-discovery tools like Concordance, but they provide broader functions, including workflow, contact information, calendars, and task lists.

Data Mining and Analysis

What are the critical aspects of using technology in data mining and analysis?

We estimate that between 50 percent and 75 percent of a forensic engagement is spent in the data extraction and preparation phase. Several key factors increase or decrease the amount of required time. While it is not always possible to have influence over the quality of information received, requesting information in sufficient detail and specificity at the onset will become paramount to saving time and money later.

It is critical to properly request data and have the requisite skills to clean and prepare the data for analysis. Considerations are numerous and include obtaining data in its native format with metadata, as opposed to receiving a facsimile in portable document format (PDF) or obtaining transactional data extracts with a data dictionary, relevant master data and control totals or corroborating system reports.

Consider that the counterparty has ready access to data and understands the structure. In fact, they may make analysis difficult by mistakenly excluding certain key pieces of information. For example, where transactions are grouped or matched by journal entry, obtaining an extract of the general ledger transactions without the journal entry number can substantially increase analysis time. Obtaining the transaction date of record and post date may indicate potential accounting errors and internal control weaknesses.

An experienced forensic accountant has a myriad of tools and techniques to prepare data for analysis. However, mismanagement of data collection and poor cleaning techniques can double or triple the forensic accounting time or, worse, result in erroneous conclusions readily identified by the opposition.

Quality Control and Data Security

What are your expert accountant's policies related to quality control and security?

Strict quality standards help ensure a quality work product as well as reduce preparation cost. Remember the adage, "Doing it right the first time saves headaches in the long run." Complemented by proper work product support and document management, efficient forensic groups rely on independent review by experienced senior professionals. Technology facilitates and ensures these reviews through use of document routing and workflow.

Ability to ensure that data is properly safeguarded from unauthorized access within and outside the forensic accountant team is crucial. Access to data and information should be limited to using various tools such as network perimeter security, two-factor password authentications, and encrypted communication and data storage.

In addition to the typical questions you may ask your expert (knowledge, experience, past testimony), further diligence regarding use of critical technology tools will provide insight that is useful in the selection process.